

THE LEONARD LETTER

A weekly electronic newsletter

Bill Leonard, Member

State Board of Equalization

February 2, 2004

*"The high-minded man must care more for the
truth than for what people think."*

-- Aristotle (384 BC - 322 BC)

UNDER THE DOME

*****Remedial Math*****

Last week's news reported that the Cal State University system is throwing out fewer students for being behind in basic math and English skills. That is hardly something to celebrate. All students who graduate from California high schools should be able to pass such proficiency exams, but only 42% of incoming freshmen can. As a result, the CSU system is spending millions offering remedial coursework to get these students up to speed. What none of the news stories noted was how much money that is costing the state. The Legislative Analyst's Office estimates that we could save millions annually by offering those basic math and English courses at the community college or high school level, rather than continuing such basic instruction at the University level. As we try to close a multi-billion dollar gap this year, budget writers should look for every available savings opportunity.

*****Workers'Comp: The Real Story*****

The story that broke last week about the Department of Industrial Relations running out of money failed to give the whole picture. The Department is running out of money because this was one of Governor Davis' phony budget cuts. The state budget ended the Department's funding effective January 1st. Instead of truly cutting the Department's budget, the then-Governor asked for and got a new tax to be levied on employers to pay 100% of the cost of this department. Are they 100% beneficiaries of this new tax? No. Since 1911, this department has been supported by the General Fund taxpayer money because it helped workers, employers and the public. This botched transition is another legacy of Davis and his Legislature. The bill they passed to enact the tax was voided on procedural grounds. Not to worry though, the tax increase on business will pass this same Legislature quickly and be sent to the Governor soon.

*****Ronald Reagan Day*****

Governor Schwarzenegger has proclaimed February 6th as Ronald Reagan Day in California to celebrate the former President's 93rd birthday. In recognizing Reagan, our Governor does us a great service. His proclamation reminds us of Reagan's moral conviction, belief in entrepreneurial America, and his commitment to "peace through strength." These are principles that should animate all of us to this day and give us hope in a better California, better America and better world.

IN THE BOARD ROOM

*****BoE Cases of Note*****

I have been releasing agenda notices to the press before public meetings of the Board of Equalization because I do not think the press or the public pays close enough attention to what the Board does. I have started to include the dollar amounts of the largest cases in the agenda notice, including consent items, for which there is no formal vote. These cases are important because of the huge amounts of money involved, money that ultimately impacts the bottom lines of both the state and the businesses involved. It is at these hearings where the rubber of the theory of policy meets the road of practice, and anyone interested in the effects and unintended consequences of taxes should be aware of what we do in the Board room.

Here are the high dollar cases from the January 27 meeting:

Corporate Franchise and Personal Income Tax Hearing #7: Square D Company. The State sought \$24,000,000 plus interest. On a 3-2 vote -- I voted 'no' -- the State prevailed but lowered the interest owed per a recommendation by FTB.

Property Tax Hearing #1: Broadwing Communications, Inc. The State sought \$6,970,000. Broadwing Communications sought a \$17.5 million refund. The State prevailed 5-0 on the assessment of Broadwing's property. I moved to eliminate the penalties, but the motion failed to get a majority (2-2).

On the Sales and Use Tax consent calendar were the following: #38 Calpeak Power LLC. Refund: \$6,440,74; #54 Union Acceptance Corp. Refund: \$2,583,552; #5 Heilig-Meyers Furniture Co. Credit: \$2,001,313; #51 Americredit Financial Service Inc. Refund: \$1,922,46. All of these were inadvertent overpayment of sales taxes.

MISCELLANY

*****Capital Fellows*****

When I was finishing college in 1965, I applied to several post-graduate opportunities. My first acceptance helped determine the course of my career as I participated in the Assembly Fellowship Program. I spent one year working as a staffer in the State Assembly, learning the ins-and-outs of the legislative process. Applications are due by

February 25 and are not limited to recent graduates; those with advanced degrees or mid-career are encouraged to apply. The Fellowship program invites people from all backgrounds and degrees, not just those explicitly trained in government or politics. The Capital Fellows program includes 18 Jesse Unruh Assembly Fellows, as well as 18 Senate Fellows, 18 Executive Fellows and 10 Judicial Fellows. Fellows work for 11 months and earn 12 graduate credits through the CSU system. To learn more about this unique opportunity, see www.csus.edu/calst

***** Words to Know*****

Several Leonard Letter readers have requested a complete list of the Words to Know series that concluded in last week's issue. The list is being assembled and will be available on my website soon. Thank you for your inquiries.

BOE AND LEGISLATIVE DATES

February 20, 2004 --- Last day to introduce bills this session.

March 2, 2004 --- California primary election

April 1, 2004 --- Legislature's spring recess begins upon adjournment

April 12, 2004 --- Legislature reconvenes

NOTABLE DATES/ HISTORY

February 2, 1979 --- Bill and Sherry were married. Sherry I love you.

February 2, 1964 --- G.I. Joe, debuts as a popular American boy's toy

February 3, 1690 --- First paper money in America issued (colony of Massachusetts)

February 3, 1913 --- 16th Amendment, federal income tax, ratified

February 3, 1933 --- First interstate legislative conference in U.S. opens, Washington D.C.

February 4, 1789 --- First Electoral College chooses Washington & Adams as President & Vice President

February 4, 1846 --- Mormons leave Nauvoo, MO for settlement in the west

February 4, 1847 --- First U.S. telegraph company established in Maryland

February 4, 1945 --- FDR, Churchill & Stalin meet at Yalta

February 5, 1778 --- Articles of Confederation ratified by first state, South Carolina

February 5, 1972 --- U.S. airlines begin mandatory inspection of passengers & baggage

February 6, 1788 --- Massachusetts becomes 6th state to ratify Constitution

February 6, 1899 --- Spanish-American War ends, peace treaty ratified by Senate

February 6, 1933 --- 20th Amendment goes into effect; Presidential term begins in January not March

February 7, 1795 --- 11th Amendment to U.S. Constitution ratified, affirms power of states

February 8, 1918 --- "Stars & Stripes", weekly U.S. armed forces newspaper, first published

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115

TDD service for the hearing impaired

TDD phones: 800-735-2929

Voice phones: 800-735-2922

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